GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

STARRED QUESTION NO:175
ANSWERED ON:04.08.2005
PRIORITY TO DOMESTIC COMPANIES FOR DEFENCE PURCHASES
Pandey Dr. Laxminarayan;Tripathi Shri Chandramani

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government proposes to give priority to domestic companies with regard to defence purchases;

(b) if so, the details thereof;

(c) whether the Government has received proposals/suggestions from various organizations in this regard; and

(d) if so, the details thereof and reaction of the Government thereto?

Answer

MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE)

(a) to (d): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 175 FOR 4.8.2005

While it is the policy of the Government to encourage indigenization, particularly in the field of defence to achieve self-reliance, the requirements of Armed Forces for defence equipment, arms and ammunition, are met in accordance with procedures laid down in the Defence Procurement Procedure − 2005 (Capital Procurements) and the Defence Procurement Manual − 2005 (Revenue Procurements) governing procurement of defence items under Capital Head and Revenue Head of Stores expenditures respectively.

2. With a view to utilising the capacity created in the public sector enterprises fully and to improve the performance of Central Public Sector Enterprises (CPSEs) through order booking, where the price quoted by a CPSE is within 10 per cent of the lowest valid bid price (L-I) in a tender, other things being equal, purchase preference is to be to granted to the CPSE concerned at the L-I rates by Government Departments/Organisations/other CPSEs for Notice Inviting Tenders (NITs) of Rs. 5 crores and above, in terms of Ministry of Heavy Industries & Public Enterprises (Department of Public Enterprises) O.M. No. DPE/13(12)/2003-Fin dated 26th October 2004. This dispensation has been recently extended beyond 31st March 2005 with certain modifications/conditions vide PIB Press Release dated June 30, 2005 issued from PMO.

3. Industry Associations had requested for a greater role of local industry, particularly the private sector, in Defence Production. In May 2001, the Defence Industry Sector was opened up to 100% for Indian private sector participation with FDI permissible up to 26%, both subject to licensing.